

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4346

C O N F I D E N T I A L SANTIAGO 2161

EO 11652: GDS

TAGS: ECON EMIN CI

SUBJ: COPPER STRIKE IS SEVERE TEST FOR GOC WAGE POLICY

REF: SANTIAGO A-81

1. SUMMARY. NEARLY COMPLETE PARALYSIS OF EL TENIENTE PRODUCTION HAS NOW GONE ON FOR NEARLY ONE MONTH. GOC APPARENTLY VIEWS THIS CONFLICT AS MAJOR TEST OF STRENGTH OF ITS ABILITY TO HOLD DOWN FUTURE WAGE INCREASES TO NO MORE THAN RISE IN COST OF LIVING. COPPER WORKERS HAVE BEEN EQUALLY DETERMINED TO PRESERVE FAVORED TREATMENT THEY HAVE WON IN STRUGGLES OVER MANY YEARS. GOVT WAGE COUNCIL SAYS FUTURE WAGE LEVELS MUST BE TIED TO PRODUCTION AND PRODUCTIVITY, NOT A VERY INVITING FORMULA IN MUCH OF CHILEAN MINING AND INDUSTRY. END SUMMARY.

2. GOC SINCE BEGINNING OF STRIKE HAS TRIED TO MAKE IT APPEAR THAT OPPOSITION (PRINCIPALLY PDC) WAS TRYING TO MANIPULATE COPPER WORKERS FOR POLITICAL REASONS. (IN FACT, PDC PROBABLY DOES CONSIDER THIS CONFLICT IMPORTANT IN ITS DRIVE TO CUT INTO MARXIST CONTROL OF ORGANIZED LABOR.) UP NEWS MEDIA HAVE GIVEN SCANTY COVERAGE TO EL TINIENTE CONFLICT AND MOST STORIES CLAIM MAJORITY OF WORKERS ARE NOW BACK ON JOB. REALITIES, ACCORDING TO INFORMED SOURCES, ARE QUITE DIFFERENT. UNOFFICIAL BUT RELIABLE DATA SHOW THAT GRAND
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MINERIA COPPER PRODUCTION WAS DOWN 7,000 MT FROM MARCH LEVEL (MARCH 51,910 MT, APRIL 44,992 MT). NEARLY 4,000 MT OF THIS LOSS WAS FROM EL TENIENTE, WHERE STRIKE BEGAN APRIL 18. IN MAY NO SIGNIFICANT PRODUCTION AT EL TENIENTE HAS OCCURED THUS FAR. SINCE EL TENIENTE WOULD PROBABLY HAVE PRODUCED ABOUT 18,000 MT THE MONTH IT HAS BEEN ON STRIKE, THIS TRANSLATES INTO LOSS OF MORE THAN \$20 MILLION IN BADLY NEEDED FOREIGN EXCHANGE. CHUQUICAMATA ALSO RECENTLY HALTED PRODUCTION FOR 48 HOUR IN SYMPATHY WITH EL TENIENTE WORKERS AND ANOTHER \$2 MILLION IN PRODUCTION WAS LOST. LABOR HAS ALSO BEEN RESTIVE AT CHUQUI AND NEIGHBORING EXOTICA FOR REASONS OF THEIR OWN WHICH HAS LED TO ADDITIONAL PRODUCTION DROPS.

3. GOC IS APPARENTLY CONVINCED THAT IF IT CANNOT HOLD THE LINE IN THIS CASE IT WILL BE OVERWHELMED BY DEMANDS FROM ALL SIDES FOR WAGE INCREASES EXCEEDING RISE IN OFFICIAL PRICE INDEX. SHOULD THIS HAPPEN, GOVT FEARS THAT RATE OF INFLATION, WHICH IS ALREADY RUNNING AT NEARLY 200 PERCENT PER YEAR, COULD SPIRAL COMPLETELY OUT OF CONTROL. SINCE COPPER WORKERS ARE HIGHLY ORGANIZED AND ECONOMICALLY IMPORTANT, GOVT MAY FEEL THIS IS OCCASION TO PROVE ITS DETERMINATION. ON OTHER HAND, TAKING ON SUCH A STRONG ADVERSARY MAKES SUCCESS MORE DIFFICULT AND ECONOMIC COSTS HIGH.

4. IT IS STILL UNCLEAR HOW THIS ISSUE WILL BE RESOLVED. GOC HAS ALREADY MADE SOME CONCESSIONS TO MINERS WHICH PRESUMABLY WILL NOT BE WITHDRAWN. IF TENIENTE WORKERS ARE NOT JOINED BY OTHER COPPER MINERS OR IMPORTANT NON- MINING UNIONS, THEY MAY BE FORCED BEFORE LONG TO ACCEPT GOVT' S OFFER. (REPORTEDLY, CHUQUI WORKERS ON MAY 16 NARROWLY VOTED AGAINST STRIKING AT THIS TIME.) SHOULD CHUQUICAMATA AND OTHER LARGE MINES STRIKE, HOWEVER, GOC WILL BE HARD- PRESSED TO RESIST THEIR DEMANDS. GOVT SHOULD BE AWARE THAT EVEN IF IT WINS THIS ROUND, IT CAN EXPECT LABOR TO BECOME INCREASINGLY RESTIVE AS INFLATION CUTS INTO REAL WAGES.

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